

CILCO EXHIBIT 3.0

CILCO

01-0785/0292

3.0

1-18-02

CB

ILLINOIS COMMERCE COMMISSION

DOCKET 01-__

PREPARED DIRECT TESTIMONY OF ROBERT G. FERLMANN

1 Q1: Please state your name and business address.

2 A1: My name is Robert G. Ferlmann and my business address is 300 Liberty Street,
3 Peoria, Illinois, 61602.

4 Q2: Please state your professional qualifications, business experience and present
5 position.

6 A2: I was graduated from Bradley University in 1984 with a Bachelor of Science
7 degree in Accounting. In 1991, I received a Masters degree in Business
8 Administration from Bradley University. I am a Certified Public Accountant. I
9 joined CILCORP Inc., the parent of CILCO, in 1987 as an Accounting Analyst in
10 the Accounting Analysis Unit. In 1990 I transferred to the CILCORP Treasury
11 Department as a Financial Analyst. In April 1993, I transferred to the Gas Supply
12 Department of CILCO and became a Senior Gas Supply Administrator, where I
13 was responsible for gas pipeline administration, service selection, negotiating and
14 contracting, FERC filings, risk management and planning. In December 1996,
15 the Gas Supply Department assumed the additional responsibility of electric
16 wholesale power transactions. At that time, in addition to my natural gas related
17 responsibilities, I began performing electric energy-related supply functions. In
18 August 1997, I accepted my present position in the Energy Trading Department.

19 Q3: What are your responsibilities in your current position?

20 A3: My primary responsibilities include wholesale electric purchase administration,
21 electric supply negotiating and contracting, FERC filings, and natural gas supply
22 procurement and contracting.

23 Q4: Have you previously testified before the Commission?

24 A4: I have testified on numerous occasions before the Commission. My most recent
25 testimony came in Docket No. 00-0579 and in Docket Nos. 00-0724 and 99-0468
26 (consolidated).

27 Q5: What is the purpose of your testimony?

28 A5: The purpose of my testimony is to describe the operation of the Power Supply
29 Agreement ("PSA") and to describe how CIGI will meet its obligations under the
30 PSA.

31 PSA

32 Q6: What is the PSA?

33 A6: The PSA is the agreement which details how CIGI will supply CILCO with the
34 power and energy necessary to serve the needs of CILCO's retail customers and
35 meet its MAIN reliability requirements. Until the PSA expires on December 31,
36 2004, CIGI has the obligation to provide or manage the full requirements of
37 CILCO.

38 Q7: How will CIGI fulfill this obligation?

39 A7: To meet its obligation, CIGI will, for the most part, use the same power supply
40 assets that were used by CILCO to provide service to its customers. First, CIGI
41 will operate the generation assets being transferred. Second, CIGI will be the
42 exclusive agent to schedule various peaking facilities and contracts. Third, CIGI

43 will be assigned certain power and firm energy contracts CILCO has executed to
44 meet summer peaking load obligations.

45 Q8: How does the PSA determine the price that CILCO pays for power and energy?

46 A8: Under normal operating circumstances, CILCO pays fixed demand and energy
47 charges for bundled load based upon the System Capacity Requirement, which is
48 determined on an annual basis.

49 Q9: Does the PSA allow for growth in the load demand of CILCO's retail customers?

50 A9: Yes. Under the PSA, CILCO may request, at the stated base contract rate, an
51 increase in the System Capacity Requirement of up to 4% for any contract year.
52 According to CILCO's demand forecasting models, 4% is adequate to cover load
53 growth even assuming that no customers switch to alternative suppliers.

54 Q10: Does the PSA allow CILCO to receive power in excess of the System Capacity
55 Requirement?

56 A10: Yes. Under the PSA, CILCO may request additional capacity in excess of the
57 System Capacity Requirement.

58 Q11: Does the PSA allow for a decrease in the System Capacity Requirement in the
59 event that CILCO experiences customer loss?

60 A11: Yes. CILCO may request a reduction in the System Capacity Requirement of up
61 to 10% for any contract year.

62 Q12: What is the effect of setting demand and energy charges in this manner?

63 A12: Under normal operating conditions, the effect of setting the demand and energy
64 charges for bundled service load requirements in this way is to insulate CILCO
65 from risk that those charges could increase. Even if, for example, maintenance or

66 fuel costs were to increase for any one of numerous reasons, the same, fixed
67 demand and energy rates still would apply. Under the PSA, CIGI will bear these
68 price risks that are currently being borne by CILCO.

69 **Organization, Resources and Staffing of CIGI**

70 Q13: How will CIGI be organized and staffed in order to meet its obligations under the
71 PSA to provide capacity and generation to CILCO on a reliable basis?

72 A13: CIGI will be staffed by all AES/CILCO employees engaged in generation related
73 operations.

74 Q14: What does "generation dispatch" entail?

75 A14: Generation dispatch refers to the real time function of matching generation asset
76 production with instantaneous load requirements.

77 Q15: How will generation dispatch be performed?

78 A15: Those employees currently performing generation dispatch related functions will
79 continue to do so under the direction of CIGI. If in the future, CIGI wants to take
80 an even more active role in generation dispatch, adequate training will be
81 required. Continued reliability and the minimization of system imbalances are
82 critical to the success of this transaction.

83 Q16: Will all contracts necessary to run the generating units be assigned to CIGI?

84 A16: Yes, all other existing contracts for the provision of products and services
85 necessary to run the generation units will be assigned to CIGI. The contracts
86 cover a wide range of products and services ranging from contracts for operating
87 materials and spare parts to contracts for maintenance of plant equipment to
88 contracts for janitorial services and supplies. As a result, CIGI will commence

89 operations with access to the necessary materials, products and services through
90 established contractual arrangements.

91 Q17: Will CIGI have to obtain its own environmental permits?

92 A17: No, all permits or licenses needed to operate the generating units, currently held
93 by CILCO, will be transferred to CIGI. This will ensure that CIGI will
94 commence operations with the environmental permits and all other permits and
95 licenses necessary to operate the generation units.

96 Q18: Will CIGI have the financial capability to meets its commitments in the PSA and
97 to continue to properly operate and maintain the generating units?

98 A18: Yes, it will. Appendices N-3, N-4, N-5 and N-6 contain financial projections for
99 CIGI, including its income statement, balance sheet and statement of cash flows,
100 for the years 2002-2004. As the exhibit shows, CIGI will have strong cash flow,
101 as shown on its statement of cash flows.

102 Q19: Will CIGI have to obtain its own fuel supply to commence operations at the time
103 of transfer?

104 A19: No, all existing fuel inventories will be transferred to CIGI, as will existing fuel
105 supply and transportation contracts. As a result, CIGI will commence operations
106 with established fuel reserves and fuel supply sources with which to operate the
107 generation units.

108 Q20: Will CIGI have the capability to procure future fuel supplies?

109 A20: Yes, CIGI will use all fuel contracts and employees presently used by CILCO to
110 procure fuel supplies.

111 Q21: In the event that a generation unit fails, or to the extent that CILCO's demand for
112 energy exceeds CIGI's capacity, will CIGI have the capability of procuring
113 energy on the open market?

114 A21: Yes, CIGI will have the capability of purchasing power on the open market. As
115 noted above, CIGI will have the financial capability and credit rating to make
116 such purchases. Moreover, the supply personnel who currently buy and sell
117 electricity for CILCO may become CIGI employees. As a result, CIGI will buy
118 and sell energy on the open market in the same manner as CILCO currently does.

119 Q22: Will CIGI have the capabilities to procure operating materials and supplies, to
120 operate and maintain the fossil generating units and to procure and manage the
121 products and services such as maintenance services during outages and
122 engineering and construction services needed to perform capital improvement or
123 rehabilitation projects at the units?

124 A22: Yes. The entire inventory of operating materials and supplies at each generating
125 unit will be included in the assets transferred to CIGI. CIGI will procure
126 additional operating materials and supplies using the contracts and employees
127 currently used by CILCO to acquire those materials and supplies.

128 Q23: Will CILCO and CIGI comply with all applicable requirements and restrictions
129 on transactions between affiliates?

130 A23: Yes, CILCO and CIGI will comply with all such restrictions.

131 Q24: Will CILCO's customers be adversely affected by the transfer of CILCO's
132 generation assets?

133 A24: No. Generation services reliability for CILCO's retail customers will not be
134 affected by the transfer of CILCO's generation assets to CIGI. CIGI will furnish
135 CILCO with electricity using the identical resources used currently by CILCO
136 and will employ the same individuals currently employed by CILCO.

137 Q25: Does this conclude your direct testimony?

138 A25: Yes, it does.

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Central Illinois Light Company)
)
Notice of transfer of generation assets to a)
subsidiary and entry into various agreements)
pursuant to Section 16-111(g) of the Illinois)
Public Utilities Act.)

Docket No. 01-_____

AFFIDAVIT OF ROBERT G. FERLMANN

Robert G. Ferlmann, being first duly sworn on oath, deposes and states as follows:

1. I prepared and am familiar with the contents of Appendix M to CILCO's Notice of Transfer of Assets, which bears the title "Prepared Direct Testimony of Robert G. Ferlmann." My answers to the questions appearing in said appendix are true and correct to the best of my knowledge and belief.
2. Further Affiant sayeth naught.

Robert G. Ferlmann

Robert G. Ferlmann

SUBSCRIBED AND SWORN TO BEFORE ME

THIS 21 DAY OF NOVEMBER, 2001

Holli Willmert

NOTARY PUBLIC

